ANNUAL REPORT/1973

BORDEN, INC.

CONTENTS

CORPORATE DATA

EXECUTIVE OFFICES: 277 Park Avenue, New York, N.Y. 10017

COMMON STOCK DATA: Transfer and Dividend Disbursing Agent, First National City Bank, 111 Wall Street, New York, N.Y. 10015; Registrar, Bankers Trust Company, 16 Wall Street, New York, N.Y. 10015; stock listed on the New York Stock Exchange.

PREFERRED STOCK DATA-SERIES B: Transfer and Dividend Disbursing Agent, First National City Bank, 111 Wall Street, New York, N.Y. 10015.

ANNUAL MEETING OF SHAREHOLDERS: The Annual Meeting will be held on April 17, 1974, beginning at 11:00 A.M., in the Hunterdon Theatre, Church Street and Route 31, Flemington, New Jersey.

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1973 HIGHLIGHTS

	1973	1972	% Change
Net sales	$2,553,994,000	$2,249,024,000	+13.6
Net income	72,962,000	67,477,000	+ 8.1
Net income per common share and equivalents—			
Primary	2.37	2.18	+ 8.7
Fully diluted	2.28	2.13	+ 7.0
Dividends per share-Common stock	1.20	1.20	
Preferred stock Series A	.60	.60	
Preferred stock Series B	1.32	1.32	
Total dividends	36,453,000	36,302,000	+ .4
Cash flow (net income plus depreciation)	119,061,000	111,377,000	+ 6.9
Capital expenditures	76,488,000	64,533,000	+18.5
Working capital	346,382,000	378,823,000	− 8.6
Current ratio	1.9:1	2.2:1	
Shareholders' equity	764,817,000	731,383,000	+ 4.6
Equity per common share at year end	24.87	23.68	+ 5.0
Outstanding common shares at year end	30,045,000	29,765,000	+ .9
Number of common shareholders at year end	67,552	67,333	
Average number of employees	46,500	46,900	

MESSAGE TO SHAREHOLDERS AND EMPLOYEES

Members of the Office of the Chairman, from right: Augustine R. Marusi, Chairman and Chief Executive Officer; Eugene J. Sullivan, President; Walter R. Olmstead, Vice Chairman.

The Company's experience in 1973 brings to mind the opening lines of Dickens's *A Tale of Two Cities:* "It was the best of times, it was the worst of times . . . "

Judged solely by our performance, the year was indeed the best of times. Our sales, net income, and primary earnings per share were the highest in history, made possible by a substantial improvement in our chemical and international operations and stable results in our foods and dairy operations. We invested more in new plants and equipment than ever before, to take care of our expanding markets. Our successful new-products program generated fresh business and strengthened our position in several important consumer and industrial markets. We ventured into new areas of business.

Yet, in some ways, 1973 was the worst of times for a nation at peace, and the Company could not separate itself from pervasive economic concerns. Economic controls disrupted normal give-and-take in the marketplace, led to shortages, and helped to send food prices to their highest levels in almost a quarter of a century. For the first time in 15 years, the percentage of disposable income spent on food increased. An energy shortage became an energy crisis, aggravating pressure on supplies and prices.

Borden management shares the opinion of many that price controls should be lifted

promptly. After two and a half years, they have become self-defeating. Long-term controls lessen the incentive for growth; growth leads to increased output and in turn to downward pressure on prices. We believe the best interests of the country would be served by a return to free markets.

We hold this view in spite of the energy crisis. In a controlled economy, fuel shortages become another reason for cutting back production. In a free economy, they become an incentive to conserve, and to develop new manufacturing processes and distribution methods that are more efficient and less energy-intensive.

Borden is unusual among diversified companies in that seven-eighths of our domestic sales are of products that are nutritional sources. These include our food and dairy products, feed-supplements, and fertilizer. Under the government's petroleum allocation program, high priority has been given to suppliers of nutrients, and the bulk of our domestic business should be well-protected against fuel shortages. Nonetheless, we have put into effect an intensive energy-conservation program that should save 10% or more in energy usage over 1973, on a comparable volume basis. The savings will make fuel available for expansion, as well as help offset the substantially higher cost of fuel per unit of output.

As highly integrated as we are as a company, we nevertheless must depend heavily on outside sources for many raw materials and supplies. Our suppliers will encounter higher costs as well as shortages, and the effects will be felt throughout our operations.

The cost of doing business in 1974 will be substantially higher than ever before. But we expect, with few exceptions, to meet the increased demands placed on us by our customers, and to achieve another successful year.

A healthy economy that contributes to our growth is rooted in a healthy society, and for that reason we increased our involvement in social issues. The percentage of racial minorities among our domestic employees more than equals that of the total population. Through our Minority Affairs Council, we have stepped up our activities in minority purchasing, banking, marketing, and community programs. Apart from their obvious moral propriety, these efforts are attracting qualified employees and suppliers and helping to create a well-informed, well-disposed market of considerable size and influence.

On Dec. 11, Mr. Marusi relinquished his position as President of the Company after almost seven years in the office, and was succeeded by Mr. Sullivan. On the same date, Mr. Olmstead was elected to the vacant position of Vice Chairman. The three of us constitute a newly formed Office of the Chairman that will share responsibility for both day-to-day operations and long-range planning. Formation of an Office of the Chairman makes it possible to effect a major change in management with no interruption in the continuity of management. We who share the Office are now more deeply committed to the philosophy and policies that have shaped the Company's growth over the past several years.

Our associates join us in expressing to the men and women of the Borden organization, the members of the board of directors, and the shareholders our appreciation for their generous efforts and support during the year.

Walter R. Olmstead
Vice Chairman

Augustine R. Marusi
Chairman and Chief Executive Officer

Eugene J. Sullivan
President

February 26, 1974

BOARD OF DIRECTORS AND OFFICERS

BORDEN

BOARD OF DIRECTORS

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Vice President — Foods Division

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Fred J. Board


John B. Carnahan


John V. Lynn


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John B. Nimons


John J. O'Connor


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William L. Roper


John S. Harkins


Joseph E. Madigan

THE FOUR WORLDS OF BORDEN

BORDEN FOODS

The Foods Division markets a wider variety of food products than any other company. Its product line includes manufactured dairy items such as cheese and condensed milk, canned fruits and vegetables, snack foods, sugar, dehydrated foods, portion-controlled frozen meats and seafoods, bottled water and soft drinks. Its marketing area covers all 50 states.

No other food marketer offers the consumer a more impressive array of familiar names than those appearing under the Borden brand: Aunt Jane's, Bama, Calo, Campfire, Colonial, Comstock, Country Store, Cracker Jack, Crystal Springs, Deran's, Drake's, Eagle Brand, Flavor House, Greenwood's, Liederkranz, Lite-line, None Such, Old London, Polar, ReaLemon, Sacramento, Snow's, Wise, and Wyler's. Eagle Brand sweetened condensed milk is the Company's oldest product, dating back to 1857.

BORDEN DAIRY AND SERVICES

The Dairy and Services Division is responsible for the Company's milk operations in 24 states and ice cream operations in 33 states and the District of Columbia.

It markets a full line of dairy products, including homogenized milk, buttermilk, chocolate drink, cottage cheese, creams, dips, fresh egg nog, sour cream, ice creams, frozen novelties, ice milks, and sherbets. It also markets a line of low-fat dairy products under the Lite-line brand, and a Special Line of milks suited to different life styles.

A fleet of some 6,700 Borden vehicles distributes these products to homes, stores, warehouses, restaurants, schools, hospitals, industrial establishments, and vending operations.

BORDEN CHEMICAL

The Chemical Division makes Borden one of the nation's largest and most diversified chemical companies.

It produces a number of basic petrochemicals: some 1.2 billion pounds of formaldehyde annually, plus methanol, acetic acid, urea, ammonia, vinyl chloride monomer, vinyl acetate monomer, and polyvinyl chloride (PVC). It is a major producer of agricultural chemicals, fertilizer, and animal feeds, and a leading supplier of synthetic adhesives to the plywood, particle board, and furniture industries. It is the largest manufacturer of PVC wallcovering and of PVC film used for in-store wrapping of meats and produce, and supplies PVC materials as well to other industries. The Division also makes printing inks, and resins, emulsions and latices used by the paint and paper industries.

In addition, Borden Chemical is a leading marketer of products for the consumer: the Elmer's line of glues, Mystik Tapes, Krylon spray paints, Lustro-ware plastic housewares, and Sterling school and stationery supplies.

The Division is also responsible for the Company's cosmetics, fashion, and retail stores operations.

BORDEN INC. INTERNATIONAL

Borden Inc. International is responsible for the Company's manufacturing operations overseas — 88 chemical and food processing plants in 27 countries. It also directs the marketing of all Borden products outside the United States, its export operations extending to more than 130 countries around the world.

The Division is organized on a geographical basis, with world headquarters in New York and regional offices in New York, Canada, Europe, and Asia. Latin American activities are directed from an office in Coral Gables, Fla.

Of the Division's approximately 13,700 employees, all but a score are citizens of the countries in which they work. Most products made by the Division are tailored to the needs and preferences of the local markets in which they are manufactured and sold. Its export operations, on the other hand, annually ship millions of dollars worth of American-made Borden products to markets around the world.

BORDEN FOODS

	1973	1972
Sales (in Millions) . . .	$895.6	$809.8
% of Total Sales	35%	36%
Operating Income (in Millions)	$ 58.1	$ 58.1
% of Total Income from Operations . . .	34%	38%

Sales of Borden Foods rose to an all-time high and operating income was maintained at the record level of a year earlier. Operating income was maintained in spite of several adverse factors, most of which were related to price regulations and a steep rise in the costs of semi-processed and raw agricultural products, which placed a squeeze on margins.

Offsetting the impact of controls, however, were higher volume sales of brand-name items, and the success of new products and product-line extensions, which alone contributed more than $40 million to sales in 1973.

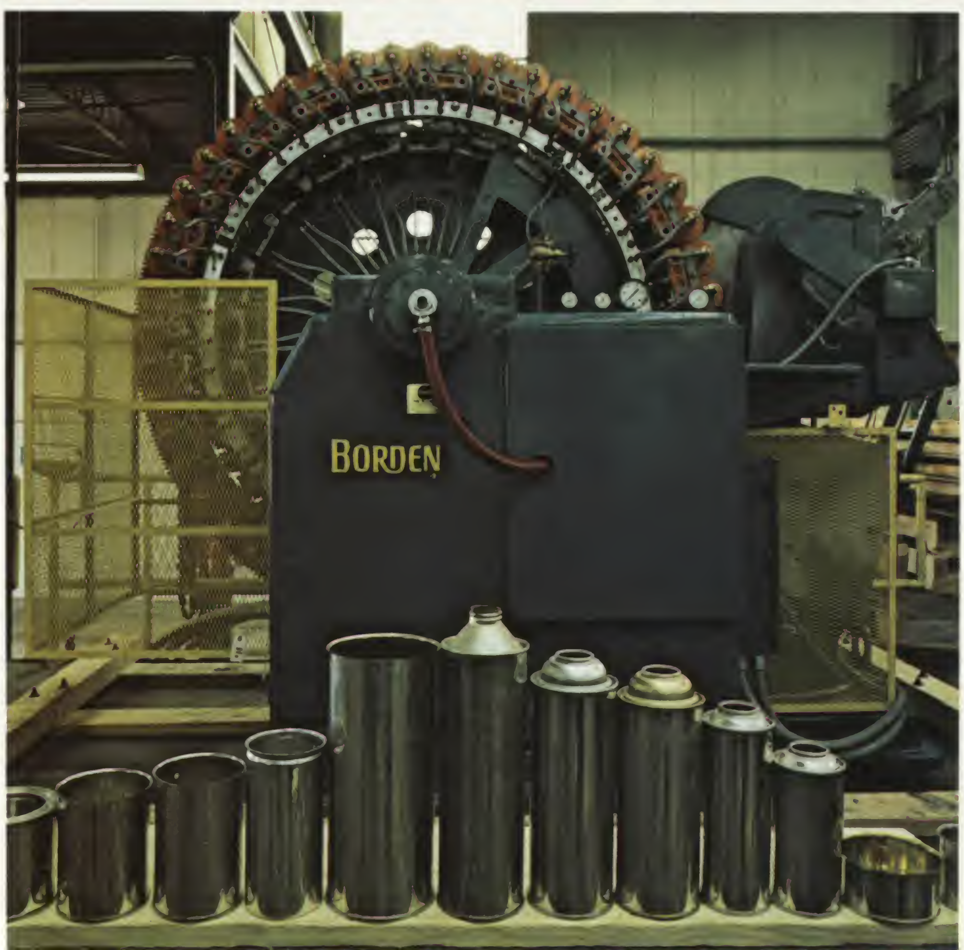
The cheese operations had an outstanding year, with the Borden brand taking over a larger share of market. Supplies were tight throughout the industry, reflecting a drop in milk production, and consumer demand was exceptionally heavy.

Individually wrapped processed cheese slices continue to show a healthy gain in sales. This is the fastest-growing sector of the cheese industry, and Borden has a strong and expanding position within it. Our sales of natural cheese also increased, aided by extensive promotion of cheddar bars under the new Borden Country Store label.

Lite-line low-fat slices were introduced nationally and the product is being well received by consumers. A Borden exclusive, Lite-line is a pasteurized process cheese product with about one-half the calories of process American cheese or process cheese food, but it has comparable vitamins and minerals and more quality protein. Detailed nutritional labeling has been a factor in its rapid consumer acceptance. The product is now being advertised on prime-time television.

Production of Borden Liederkranz and Camembert cheeses was halted when a fire in June destroyed the "make room" of the cheese plant in Van Wert, Ohio. Production resumed in early 1974 following the installation of temporary equipment. A major rebuilding and modernization of the facility is under way that will automate much of the process for making these specialty cheeses. Liederkranz is an exclusive Borden product.

Lite-line low-fat cheese slices were introduced nationally and are being advertised on prime-time television. A Borden exclusive, Lite-line is a pasteurized process cheese product with about one-half the calories of process American cheese or process cheese food, but it has comparable vitamins and minerals and more quality protein.



Three new items — refrigerated toaster cheese sandwiches; Miracle Melt, a cheese for use in cooking; and Cheez Kisses, a snack item—continued in test markets with encouraging results

Results of the canning operations improved over the previous year even though supplies of certain products were tight throughout the industry. Damage to the 1972 harvest resulted in the industry's smallest inventory carryover of processed fruits and vegetables in several years. Then, in 1973, consumer demand became exceptionally brisk as the price-spread between canned food and fresh produce widened substantially.

The Borden Sacramento brand canning facilities benefited from a good tomato crop and enjoyed their best year in history. Supplies of fruit for jams, jellies, and preserves were adequate, permitting market extension of the Borden Bama brand from the core South and Southwest areas to Milwaukee, Wisc., and St. Louis and Kansas City, Mo.

New product development in the canning operations led to the introduction of several successful line extensions: plum jelly and preserves, bean salad, plain beets, shrimp chowder, mini-dill pickles, and Tomato Plus vegetable juice cocktail.

The snack food operations experienced a sharp gain in sales but were confronted with substantially higher costs for major ingredients,

Top left: None Such mince meat is among the Borden products that carry complete nutritional labeling: the calories, protein, carbohydrate and fat per portion, and the percentage of U.S. Recommended Daily Allowance of protein, vitamins, and minerals.

Left: Manufactured by Borden Foods' Can Machinery Division, this machine tests a variety of shapes and sizes of cans for leaks at speeds up to 300 cans a minute. The equipment can also be adapted to test automobile oil filters.

Benefiting from a good tomato crop, the Borden Sacramento brand canning facilities enjoyed their best year in history.

primarily flour, potatoes, and cocoa. New-product introductions were an important factor in market growth, contributing almost $9 million in new business. Each of the snack operations was represented by new items.

Cracker Jack candied popcorn appeared for the first time in other than its familiar package with the introduction in test market of the Mini-Pak, which contains ten plastic pouches of the confection in a plastic bag. The Borden brand of nuts, Flavor House, was represented by two new products: Cup-o-Nuts for home baking and Oil Roasted Nuts.

Introduced under the Borden Wise and Old London brands were French Fries, fried Cheez Doodles, Lite Chips, Sour Cream Ridgies, fried Cheese Pixies, and dip mixes. Five new sweet snacks were marketed under the Drake's label: Coconut Crunch, Family Pak Apple Fruit Doodle, a milk chocolate-coated Ring Ding, and grocery size Swiss Roll and chocolate chip cookies. The candy operation, Borden Deran, added a line of one-pound boxed chocolates under the name Cameo, as well as four other items.

Canned egg nog had a sharp upswing in sales, benefiting from its positioning to a year-round product, promotion of its use in food recipes, and "tie-in" promotions with complementary products of other manufacturers. An 8 oz. size was added as a companion to the 32 oz. can.

Eagle Brand Condensed Milk, the Company's original product, enjoyed another outstanding year, with sales close to the highest level in more than a quarter of a century. Cremora non-dairy creamer and Borden Breakfast Drink increased their share of market with successful "more for your money" promotional themes. Both products are now being advertised on prime-time television.

The market introduction of instant potatoes under the Borden Country Store label was highly successful and taxed the capacity of the Grafton, N.D., plant. Sales rose to a new high.

Borden Henderson portion-controlled frozen products had an excellent year, in spite of substantially higher costs for meat and seafood. Shrimp catches off French Guiana, the principal source for Henderson, were abundant, but expensive owing to sharply increased fuel costs incurred by the shrimp fleets. Catfish, processed by Henderson from catches off the Brazilian coast, were introduced by several major food chains in the Midwest in addition to the traditional markets in the South. Henderson also introduced frozen Brazilian lobster tails.

Borden Wyler, for many years the Number One brand of sweetened powdered soft drinks, for the first time outsold the leading unsweetened drink mix. Results were aided materially by the success of several new products: individual-service Glass of Lemonade and Glass of Orangeade and a 45 oz. size of lemonade. By year end, the 45 oz. size was available in two-thirds of the nation's grocery stores. Borden Wyler Cup of Soup and Broth Break were extended to national distribution.

Beverages marketed under the Borden ReaLemon brand showed a substantial gain. As part of a program to widen the product base, a full line of liquid cocktail mixes was introduced under the label On The Rocks. The products, undergoing test marketing, are available in two types of packaging: a 20 oz. flask with jigger cap, and a box of twelve premeasured jiggers. The latter is the first single-service liquid cocktail mix on the market.

Top right: Cora Jean Snow II, flagship of the Borden fleet of clamdraggers, sets out to sea at dawn from Cape Charles, Va.

Right: Netted at 200 fathoms in the Pacific off the coast of Costa Rica, a catch of deep-sea shrimp is hauled aboard a shrimp boat. Peeled, cleaned, and individually frozen at a Borden plant in Costa Rica, they will become Borden Recipe Shrimp.

BORDEN FOODS

Here are two money savers . . . Borden Breakfast Drink and Cremora

Dollar for Dollar . . . Borden Breakfast Drink gives you five glassfulls more than the other leading brand.

Dollar for Dollar . . . Cremora gives you enough non-dairy creamer for 25 more cups of coffee than the other leading brand.

Individual-service Glass of Lemonade was among several successful new products introduced under the Borden Wyler brand.

Borden sugar operations recorded higher dollar sales on volume about equal to that of a year earlier. The improvement reflected higher selling prices instituted to recover increased raw sugar costs, although there was extended delay in recovery during the price freeze.

Raw sugar supplies should be adequate to meet the requirements of the U.S. market in 1974, but raw sugar prices are expected to continue their upward trend because of tight world supplies.

* * *

The outlook for the Foods Division in 1974 is favorable, with a further improvement in sales and a substantial recovery in margins foreseen for several reasons.

To encourage an adequate supply of food, the government may loosen price controls considerably or allow them to lapse altogether. The food industry has a high priority under the government's petroleum allocation program, and the Division's quota, together with conservation measures taken under a Company-wide program, should assure that energy supplies are adequate for expanded needs. Changes in life-style adopted by the American public because of the energy crisis should result in more meals taken at home with more family members participating, further stimulating food sales through retail outlets.

"More for your money" is the theme of a prime-time television advertising campaign for Borden Breakfast Drink and Cremora non-dairy creamer. The products are being promoted together, as shown at left, and separately.

BORDEN DAIRY AND SERVICES

	1973	1972
Sales (in Millions) . . .	$674.3	$607.2
% of Total Sales	26 %	27 %
Operating Income (in Millions)	$ 26.5	$ 25.3
% of Total Income from Operations . . .	16 %	17 %

Sales and operating income of Borden Dairy and Services increased from a year earlier, due primarily to a turnaround in Midwest markets after the lifting of the price freeze in September, and an improved product mix in the Southeast.

High feed costs and attractive selling prices for beef prompted dairy farmers to cull their herds and total U.S. milk production declined from 1972. Reduced supplies and higher on-farm production costs were reflected in the sharply rising prices paid by processors such as Borden for raw milk. As a raw agricultural commodity, farm milk purchased by processors is exempt from price controls, but processors are allowed to pass through the higher costs on a dollar-for-dollar basis only.

At the same time, processors were restrained by competitive conditions from fully passing through their higher costs, and during the first stage of the price freeze were prohibited from making any price adjustments. Aggravating the squeeze was the lag between higher incurred costs and their eventual pass through.

After several years of deterioration, principal Midwest markets recovered sharply. The turnaround was achieved primarily by the selective addition of new business and the renewal of existing accounts on more favorable terms. The Chicago milk operations benefited from increased put-through at the Woodstock, Ill., plant. Woodstock serves the entire Chicago market and is the world's largest milk processing and packaging plant. Because of its size, efficiency rises sharply as put-through moves above the break-even point.

The Division capitalized on increased consumer interest in nutritional information to spur sales of specialties, which have shown steady gains in per-capita consumption, whereas consumption of whole milk continues its gradual decline. Borden is one of the principal marketers of dairy specialties in the country.

Heavy emphasis was given to the "Special Line" of milks. This consists of four types of milk of varying butterfat, protein, vitamin and mineral

Diet-line, a new frozen dietary dairy dessert, is being test marketed in Ohio and St. Louis, Mo. The one-quart carton contains eight 4-oz. (72-gram) individually wrapped slices, each containing 74 calories and 1.75% milk fat. The round container, under test in St. Louis, allows the consumer to meter the Diet-line calories by weight.

BORDEN DAIRY AND SERVICES

Increased consumer interest in nutrition helped to spur sales of the Borden "Special Line:" four types of milk of varying butterfat, protein, vitamin and mineral content, promoted together as meeting the nutritional needs and preferences of all age groups.

content, promoted together as meeting the nutritional needs and preferences of all age groups. The "Special Line" is made up of regular homogenized vitamin D milk, for children; Lite-line, for women of child-bearing age; Pro-line, for young adults, and Skim-line, for those on restricted diets.

To increase consumer awareness of the dietary advantages of yogurt, the Lite-line brand replaced the less definitive Swiss Style brand in all Southwest markets and Connecticut. Newly designed containers also identify the product as low fat. A changeover to the new brand is planned for additional markets in 1974.

In a totally new marketing concept, the Division began testing in Ohio and St. Louis, Mo., a frozen dietary dairy dessert under the name Diet-line. In Ohio, the product is packaged in a one-quart carton containing eight 4-oz. (72-gram) individually wrapped slices. Each slice has 74 calories, compared with 134 for ice cream and 108 for ice milk, and 1.75% milk fat, compared with a minimum of 10% for ice cream and 3% for ice milk. The product is artificially sweetened. In the St. Louis market, Diet-line is packaged in a one-quart round container, which allows the consumer to meter the calories by weight.

In her 35th year as a live symbol of Borden dairy products, Elsie the Cow enjoyed unabated popularity, visiting ten shopping center malls and appearing on a telecast from the Ohio State Fair.

Elsie Stix, ice cream and frozen novelties that use plastic handles in place of conventional wooden sticks, continued to grow in popularity. The exclusive patented design on Elsie Stix is such that they interlock with one another to create toys and models. Growth of the Elsie Stix has stimulated a demand from purchasers for quantities of the handles. As a result, in 1974 they will be made available in quantity through a premium offer on Elsie Stix cartons.

Elsie the Cow, in her 35th year as a live symbol of Borden dairy products, enjoyed unabated popularity

during appearances over the summer at ten shopping center malls in New York, New Jersey, Pennsylvania, and Ohio. She also appeared on a television program broadcast from the Ohio State Fair.

Walt Disney World in Florida, for which Borden is the official supplier of milk and dairy products, continued to provide a significant showcase during its second full year of operation. The number of visitors patronizing Borden ice cream locations increased. The Company sponsors the Borden Plaza Ice Cream Parlor, located in the "Main Street U.S.A." theme-park, as well as an ice cream kiosk and ice cream carts throughout other theme parks of the "Magic Kingdom" section.

During the year, a new facility was added at Orlando, Fla., for the production of Elsie Stix novelties. It will serve the North Florida and Walt Disney World markets for the product line; they were previously handled out of the Tampa ice cream plant. Ice cream distribution branches were constructed at Indianapolis, Ind., and Houston, Tex., and work began on ice cream branches at Youngstown, Ohio, and Cape Girardeau, Mo., that will be operational in 1974.

Ice cream storage capacity was increased at Oklahoma City; Dallas, Tex., and Jackson and Tupelo, Miss. Ice cream manufacturing facilities were also enlarged at Dallas and Jackson, and remodeling of milk processing facilities at Tyler, Tex., materially increased capacity.

Top left: The Lite-line brand replaced the less definitive Swiss Style brand on Borden Yogurt marketed in all Southwest markets and Connecticut. Newly designed containers also identify the product as low fat.

Left: Elsie Stix, interlocking plastic sticks used as handles for Borden frozen novelties in place of conventional wooden sticks, will be made available in quantity as a premium offer on Elsie Stix cartons. The offer was prompted by numerous requests from purchasers for quantities of the handles.

BORDEN CHEMICAL

	1973	1972
Sales (in Millions) ..	$560.0	$471.1
% of Total Sales ...	22%	21%
Operating Income (in Millions)	$ 52.9	$ 40.9
% of Total Income from Operations	31%	27%

Paced by its thermoplastics and fertilizer operations, Borden Chemical in 1973 set all-time highs in sales and operating income. Sales rose 19% and operating income 29% above the former highs set in 1972. Figures for both years include results of Alex Colman, Inc., acquired in a pooling of interests in May, 1973, and retail store operations, previously reported under the Borden Foods Division.

Basic and intermediate raw materials produced by the Division for internal use were adequate to plentiful, but some purchased materials were in tight supply and their costs over-all were up.

The keystone of the Division's operations is its petrochemical complex at Geismar, La., which produces many of the basic materials used in the manufacture of thermoplastic and thermosetting resins, fertilizers, and feed supplements.

Ammonia production at Geismar was increased by 210 tons per day with the completion of added facilities in November. Production of synthesis gas will be expanded by 5.5 million cubic feet per day when facilities under construction come on stream in the second quarter of 1974. Synthesis gas is made from natural gas and steam and used in the manufacture of ammonia and methanol.

Led by polyvinyl chloride (PVC) resins and compounds, thermoplastics had an outstanding year, in spite of difficulties in meeting demand.

The shelter industry is a major outlet for PVC. The material is used for flooring, siding, rigid pipe, electrical insulation, wallcoverings, and cabinetry. Housing starts, although tapering off after mid year, were the second-highest on record at more than two million. There was also a surge in home renovation, a growing market for Borden PVC resins.

Record domestic automobile sales added to the demand for PVC. Borden vinyl is widely employed by the industry for upholstery, roofing, and interior trim. The industry is expected to remain a prime outlet for PVC as manufacturers upgrade

The market for Borden Resinite film was expanded with Fab-Wrap, a packaging film and dispenser system for wrapping sub-primal cuts of meat, shown here in use at a supermarket chain's distribution center.

their smaller vehicles and turn increasingly to plastics as substitutes for more costly materials.

The Division rounded out its line of PVC resins for industry with the introduction of Opalon 410, a plastisol with diversified end-use applications in automobile interiors, furniture upholstery, floor coverings and toys. Also introduced was a PVC latex for foam that is expected to ultimately replace foam rubber and urethane foam in such varied applications as carpet backing, shoes, and padded automobile interiors and upholstery. An important feature of the product is its easy application, being blown mechanically onto a surface.

Demand for Borden vinyl wallcoverings was exceptionally heavy, but could not be fully met owing to curtailed production at the Division's Columbus, Ohio, plant during a three-month period beginning in mid-August. Output recovered sharply at year end, however, and sales for the year were well above those of 1972.

The curtailment followed discovery of a work-environment-related illness affecting primarily employees of the plant's print department. Extensive physical, administrative and procedural changes were carried out in accordance with the recommendations of a four-member medical panel representing Federal and Ohio health agencies, the union, and plant management. The plant returned to full production in early November. The curtailment mainly affected wallcoverings processed through the print department. Production of calendered materials, carried on in another part of the plant, was not materially hampered.

The wallcovering plant at Newark, Calif., remained in full operation. It is in the midst of an expansion project that upon completion in the fourth quarter of 1974 will increase wallcovering capacity by more than 15 million yards annually.

Resinite maintained its position as the leading brand of PVC film for in-

Growing interest in the metric system has made the new metric converter slide rule one of Borden Sterling's most popular items.

store wrapping of meats and produce. Shortages of meat and consumer resistance to high meat prices during the summer temporarily affected the market for meat wrap, but shipments picked up in the fourth quarter. Total volume sales held level with those of a year earlier, and dollar sales increased owing to firmer prices.

Resinite further penetrated the packing-house market with the introduction of Sur-vac, a heavy-gauge film to protect against bone puncture in vacuum-packed primal cuts of meat. Also marketed was an extra-strength, non-fogging film for high-speed, automatic wrapping of poultry by centralized processors.

The unprecedented worldwide demand for food and record prices for crops were reflected in farmers'

Roses cultivated by employees bloom on the grounds of Borden Chemical's agricultural products complex at Piney Point, Fla. The rose gardens are among the most popular attractions for groups touring the facility, particularly for senior citizens.

unmatched use of Borden fertilizers. Millions of idle acres were brought back into production and fertilized; already cultivated land was given above-normal applications of fertilizer to increase yields. Demand during both the spring and fall planting seasons was exceptionally heavy.

Sales of Borden fertilizers were the highest ever, rising more than 20% above the favorable levels of a year earlier. Demand outstripped production, cutting year-end inventories to their lowest in recent years. Rebuilding of inventories and the anticipated demands of the 1974 spring planting season will require maximum utilization of the Division's fertilizer manufacturing facilities.

The Division's feed supplements operations also benefited from the demand for food. Sales were up more than 12% from a year earlier.

A major expansion that will double the bulk and general cargo dock handling operations of Elizabeth River Terminals is scheduled for completion early in 1974. Elizabeth River Terminals is the Division's principal public marine terminal facility, located close to the agricultural products plant at Chesapeake, Va. The expansion includes a second 1,000-foot berth in addition to the present dock on the Elizabeth River, a new warehouse with a 20,000-ton capacity, and a permanently moored crane ship with two traveling cranes to speed cargo handling. The ship is the only vessel of its type operating on the East Coast.

Shipments of thermosetting resins reached new highs during the year as the forest products and foundry industries stepped up their demands. The furniture industry, experiencing an outstanding year, ordered record shipments of Borden resin adhesives. The strong housing and home-renovation markets were reflected in the heavy orders for resins from the plywood industry.

The Division's rated output of formaldehyde was lifted to almost 1.2 billion pounds annually with the completion in January of added facilities at Fremont, Calif. Production of ground resins was increased by more than five million pounds per year when new equipment went into operation at Bainbridge, N.Y., in July.

A new "ice-water-proof" adhesive, formulated specifically for bottle labeling and directed primarily to the brewing industry, was introduced. The first of its kind, it is made from synthetic resin rather than casein. The latter, a milk by-product and imported, is in short supply and subject to extreme fluctuations in market pricing.

The strong industrial economy benefited other areas of the chemical operations. Sales of inks to the packaging and printing industry were up substantially, with shipments of gravure inks showing an exceptionally sharp rise. Borden Mystik tapes had a good year, particularly for products directed to the building trades. New production and packaging equipment was installed at the Northfield, Ill., tape plant that improved operating efficiency and helped offset higher costs of materials.

Sales and operating income of products marketed to consumers improved from a year earlier. Borden Krylon had an outstanding year, and the Elmer's line of household glues showed further gains. Borden Sterling, serving the school- and stationery-supply fields with plastic items, had a good year, paced by the success of its new metric-converter slide rules and kits and plastic office-size file cabinets. Borden Lustro-ware, aided by the introduction of several specialty plastic housewares, showed improvement in sales, but encountered higher costs for polystyrene and polyethylene, which were in tight supply. New items included eight modular wall units, a combination stool and

insulated cooler, plastic stick-ons for slip-proofing tubs and showers, and stackable storage boxes.

Alex Colman, Inc., a manufacturer of women's sportswear and dresses, with headquarters in Los Angeles, Calif., was acquired in May in a pooling of interests, and its operations were assigned to a new Fashion and Retail Group within the Chemical Division. Other units of the group are cosmetics and retail stores.

In moving to "test" the domestic fashion field, the Company chose Alex Colman for its moderate size and its strong position in the fastest-growing sector of the industry. Alex Colman specializes in sportswear and dresses whose moderate prices and conservative, classic styling appeal to middle-income women over a wide age group. Consumer acceptance of this marketing concept has been reflected in steadily rising sales, which increased by one-third over 1972.

Retail store operations experienced a mixed year. Restaurant and bakery sales increased, owing to higher volume and higher selling prices, but results were affected by the lag in passing through soaring costs for beef incurred by the Borden Burger restaurants, particularly during the price freeze.

A manufacturer of cast vinyl materials was purchased during the year and its operations assigned to the Chemical Division. The materials are used by manufacturers of luggage, footwear, handbags, furniture, and automobiles.

* * *

The outlook for the Chemical Division in 1974 is favorable. Costs will increase substantially, but there

Elmer's Glue-All maintained its position as the nation's largest-selling household glue.

should be more flexibility of pricing in line with demand.

Fertilizer and thermoplastics operations should again be the principal sources of strength. Crop prices, although down from their historic 1973 highs, should nonetheless be at levels sufficient to encourage heavy use of fertilizer. Inventories are low, so production facilities will be taxed to meet required shipments. Developing markets for PVC, such as rigid pipe, together with established markets assure continuing strong demand for thermoplastics.

Shortages of some purchased raw materials are anticipated, and will require shifts in market priorities and stepped up research efforts to find substitutes. Energy supplies for the Division should be adequate, in view of its existing contracts for natural gas and allocations of petroleum to industry under Federal regulations. Petroleum allocations should also ease the pressure on suppliers.

If, as predicted, a gasoline shortage keeps more Americans at home, the market for Borden chemical products directed to the consumer should expand. As hobbies and do-it-yourself projects increase, so should the demand for decorative and workshop products such as wallcoverings, glues, tapes, spray paints, and housewares.

The Stackable Stuff Box, new from Borden Lustro-ware, is a rugged plastic module that stands on its own or can be stacked one atop another using the interlocking tops and bottoms. Each Stuff Box can hold more than 100 pounds.

Demand for Borden vinyl wallcoverings was exceptionally heavy. An expansion project under way at Newark, Calif., will add 15 million yards annually to capacity.

BORDEN INC. INTERNATIONAL

	1973	1972
Sales (in Millions) ..	$424.1	$360.9
% of Total Sales ...	17%	16%
Operating Income (in Millions)	$ 31.5	$ 27.8
% of Total Income from Operations ...	19%	18%

Sales and operating income of Borden Inc. International rose to all-time highs, aided substantially by an improvement in export business, entry into the food field in Latin America, and expansion of food operations in Canada.

LATIN AMERICA — A long range plan of active participation by Borden in the Latin American food industry was implemented in 1973.

In Brazil, the country's largest manufacturer of pasta products (spaghetti, macaroni, noodles) was acquired. The company has an excellent reputation for high quality and service, and will provide a vehicle for the introduction of new Borden food products into the Brazilian market.

In Mexico, a joint venture was formed with an experienced group of companies holding leading market positions in fruit juice, cheese, and other food lines. New products are being developed, and Borden technology is making a strong contribution to the growth of the operation.

In spite of certain raw material shortages, Latin American chemical operations reported excellent results. The industrial economy of Brazil continues to boom, with consequent heavy demands for Borden chemical products. Alba, the Borden affiliate, maintained its strong market position. Formaldehyde capacity was substantially increased at all major Alba production centers, and further expansion is planned in 1974. Resin-making capacity was also increased. A Resinite packaging film unit is under construction and will be operational early in 1974.

The Colombian chemical operation set a new high in sales. The chemical facilities in Nicaragua were busy supplying material to aid in the reconstruction of the country after the disastrous earthquake in December, 1972. In Mexico, additional production capacity is planned for the chemical operations during 1974.

All the Latin American chemical companies were active in promoting sales of consumer products and

Mother and daughter take time out from a skating session on the ice rink in front of Toronto City Hall to warm up with Borden Instant Hot Chocolate with Marshmallows, the first product of its kind on the Canadian market.

introducing new items. An epoxy-mastic, laundry starch, laundry softeners, and solid fuel were marketed for the first time in Brazil. Spray paints were introduced in Mexico, and pressure sensitive tapes in Colombia.

CANADA — Borden Canada entered the specialty baking field with a modern, highly automated plant at Montreal producing fresh meat pies, frozen Tourtieres (French Canadian meat pies), and fresh cake.

In the Snack Food Division, Raymond Snack Foods Ltd. completed a new plant at Kitchener, Ont., to manufacture potato chips, and introduced the product in seven flavors. Capacity will be increased in 1974. Automation of the Beer Nuts line, candy cooker, and snack extruders was carried out during the year, improving manufacturing efficiency and increasing capacity. Direct truck delivery of Raymond products to customers will begin in 1974, supplementing the activities of distributors.

The Food Products Division was first on the Canadian market with Instant Hot Chocolate containing marshmallows.

The Fluid Milk and Ice Cream Division completed new distribution branches at Windsor and Burlington, Ont., and new packaging equipment was installed in the Toronto and Montreal dairy plants. Several new products were introduced: Elsie Sips, a fruit-flavored, non-carbonated drink in a convenient plastic pouch;

A shopper chooses from among a wide variety of cake items on display at a store in Pfungstadt, West Germany. Weber KG, the Borden industrial bakery in Germany, extended distribution of its cake products to the northern part of the country during the year.

Lady Borden Boutique, ice cream flavored with a choice of four liqueurs, and Eskimo Pie Lamode, an ice cream waffle coated with chocolate. The convenience of the Lightguard plastic protective milk package was enhanced by the development of a patented, self-puncturing spout for easy pouring.

The Chemical Division at the start of the year acquired a Western-based manufacturer of resins used by the plywood, particleboard, insulation, and paper industries.

Capacity of the West Hill, Ont., Resinite operations was expanded with the installation of a new extruder and an in-line PVC film stretcher to produce shrink film.

EUROPE—Inflation, energy shortages, currency fluctuations and price controls were also problems in Europe, and some operations were adversely affected. Nonetheless, substantial sales gains were achieved by the Borden affiliates in most areas, strengthening their market positions.

Borden U.K. had a record year, in spite of the extreme difficulties the economy of the country is experiencing. It increased its market share of film for food packaging when a facility for the co-extrusion of nylon-polyethylene was put into operation on schedule. The product is used for vacuum-packaging of food. The company continues as a major supplier of resins for particleboard, and expansion of the Peterlee operations is under way.

Sales of Resinite film and polystyrene trays produced by Borden Norway increased, prompting an expansion of facilities that is to be completed in 1974.

Borden France experienced record sales, aided by the introduction of new hot melt adhesives for the book binding and packaging industries.

Gallina Blanca, the Borden affiliate in Spain, had excellent sales results, with exceptional growth in the snack and baked good lines. Expansion of the bakery and snack operations is planned for 1974. Other bakery units in Belgium and Germany recorded substantial progress. Vrancaert, located outside Brussels, has achieved distribution in every major grocery chain in Belgium, while increasing exports to France and Germany. Weber KG, near Frankfurt, successfully introduced a new white bread in Germany and expanded distribution of cake items in northern Germany.

A Lebanese family gets ready to enjoy fresh-tasting milk made from Borden KLIM whole milk powder. Lebanon is one of more than 130 countries in which the product is sold. Late in the year, after extensive development, Borden introduced the first truly instant whole milk powder under the KLIM trademark.

In spite of a chaotic world beef situation, the portion foods operation in Ireland was able to obtain adequate supplies of quality Irish beef to maintain a strong position in the U.K. market. In addition, the operation penetrated continental markets for the first time with sales of prepared meals to the catering trade in Germany.

The powdered milk operation at Esbjerg, Denmark, was diversified with the start of local manufacture of Borden ReaLemon products, Dutch Chocolate drink mix, and Cremora non-dairy creamer. Initial distribution is in Scandanavia.

Late in the year, ground was broken at Athy, County Kildare, Ireland, for the construction of Ireland's first major can fabricating plant. It is scheduled to be in full production in 1974, and will supply the Borden powdered milk facility at Mallow, County Cork, as well as other users.

PAN AMERICA — In its first full year of operation, the new meat processing facility and food distribution center at Bayamon, near San Juan, Puerto Rico, substantially increased its frozen food volume. The center has been certified as a full-service wholesaler by the National Frozen Food Association.

The meat processing plant developed retail-size packages for several of its institutional portion-control products. They are being marketed under the Borden label, and have been favorably received by the trade and consumers. The plant also established a test kitchen to stimulate the development of new products.

There was an increase in worldwide sales of powdered whole milk, which is marketed by Borden Pan America from plants in Ireland, Denmark, and Australia. Late in the year, following extensive research and development, a new whole milk powder was introduced under the renowned KLIM trademark. The product is the first truly instant whole milk powder on the market, and considered to be the best-tasting. Its availability is expected to contribute substantially to further sales gains in 1974.

ASIA — Sales of the Borden chemical companies in Australia and the Philippines reached all-time highs. Sales of KLIM throughout Southeast Asia were at record levels.

In Japan, activities reached a peak, with Lady Borden ice cream, introduced in 1972, achieving sales well beyond the most optimistic projections. Lady Borden has become one of the most widely recognized trade names in the country.

In partnership with Meiji Dairy Products, a variety of locally manufactured Borden-brand packaged cheeses was introduced into the Japanese market with good results. Distribution had been extended country-wide by year end.

Ground was broken for a new plant, in partnership with Hitachi Chemical Co., for the manufacture and sale of Resinite packaging film.

EGA (pronounced A-ga) is an acronym for Elmer's Glue-All and the name by which the popular Borden household glue is known throughout Latin America. But the familiar Elmer symbol, orange and blue colors, and squeeze-bottle design are the same around the world.

EXPORT—Exports of Borden products from the United States rose to all-time highs. The upsurge in sales resulted primarily from greatly increased marketing activity in behalf of brand-name consumer goods and a general firming of prices for industrial chemicals and fertilizers.

* * *

Further growth is foreseen for the International Division in 1974, in spite of the uncertainties faced by world economies. Tonnage should increase, with gains in dollar-equivalent sales accentuated by a strong inflationary trend.

Almost no let-up is expected in the worldwide demand for food, and this, coupled with further changes in food consumption habits, should bring growth in exports of Borden food products and fertilizers. Market expansion and product diversification carried out abroad in 1973, particularly in Latin America, have substantially broadened the base on which to build further gains. Brazil, in which the Division has major installations, continues as one of the most promising of the world's markets, as does Spain, where Borden operates one of the country's largest food operations.

The Division is represented by chemical or food plants in most of the countries comprising the expanded European Common Market, and further easing of trade and tariff barriers within the Market should lead to wider distribution of Borden products without regard to country of origin.

CORPORATE ACTIVITIES

BORDEN

ENERGY CRISIS TASK FORCE — A Task Force was formally established early in the year to guide the Company's efforts in dealing with the energy crisis. The group, under the chairmanship of the Vice President-Engineering, consists of representatives from the four operating Divisions and from five corporate staff departments: Engineering, Distribution, Purchasing, Law, and Public Affairs.

The Task Force is charged with developing and monitoring energy conservation programs, and with coordinating the acquisition and distribution of energy supplies.

The environmental coordinator at each Borden operating location was also appointed energy coordinator. He is responsible for coordinating the conservation program at his facility, and for reporting each quarter the energy used per unit of product or raw material. The data are evaluated by Corporate Engineering's Environmental Department and made available to the Task Force and Divisional management.

The Borden Building, which will house the Company's national administrative headquarters, nears completion in downtown Columbus, Ohio. Occupancy will take place over a two-month period beginning in mid July.

A computerized railroad car control system was expanded to include assigned equipment used by all Divisions. Tied into the railroads' computers through the Borden Accounting and Data Center in Columbus, Ohio (above), the system provides daily car location data and up-to-date transit times between shipping points.

The Task Force has also assembled data on the energy requirements and the supply and storage position of each operating location. The probable impact on Company operations of local, regional and nationwide shortages of specific types of energy has been determined and alternative strategies have been developed.

The Task Force offers guidance to Borden locations on the effects of Federal and state allocation programs, and maintains liaison with governmental agencies.

The Company's programs are expected to produce savings of at least 10% in energy consumption during 1974.

DISTRIBUTION — Distribution efficiencies and economies took on increased importance for the Company in 1973 as fuel shortages, a Northeast rail crisis, equipment shortages, floods, and the price freeze combined to create the most chaotic transportation conditions in peace time.

A computerized railroad car control system, introduced in 1972, was expanded to include assigned equipment used by all Divisions. Based on divisional production schedules, specially equipped rail cars are reassigned as required and car movements expedited to avoid transit and unloading delays. The system is tied into the railroads' computers and provides daily car location data and up-to-date transit times between shipping points.

Computerized data from public distribution warehouses are also being used to help maintain customer services and on-time deliveries. A centralized computer record of warehouse inventories has materially reduced out-of-stock situations, eliminated excess stocks, and provided detailed information on stock allocations.

Integrated distribution systems were initiated using combinations of rail, highway, water and pipeline transportation. The systems required the setting up of terminals for the transfer of product from one mode of transportation to another.

The warehouse consolidation program begun in 1972 accelerated during the year with 98 further changes. Outbound less-than-truckload shipments from public warehouses are now being consolidated with other food manufacturers' shipments, with resultant savings in fuel and improvement in customer service.

EMPLOYEE RELATIONS — The Company settled 99 labor contracts during 1973. The average increase in hourly labor costs spread over all settled contracts was within the Cost of Living Council guidelines. Strikes were accepted at a few plants to insure compliance with the guidelines, but in many instances operations were maintained. A sharp upswing in labor relations activity is expected in 1974 if pay guidelines are loosened.

Recruiting of all executives for openings at Company locations throughout the United States is now centralized within the Employee Relations Department. The system provides a broad oversight of corporate recruiting needs, facilitates inter-divisional promotions, and assures that uniform standards are used to select management personnel from outside the Company.

The Department provided staff support to Divisional profit centers in setting up salary administration procedures. Compensation practices that are consistent within and among Divisions, and competitive with other industries, facilitate the transfer and promotion of employees and the recruitment of highly qualified personnel. Profit centers also received staff support in the areas of employee communications and activities, community programs, and Equal Employment Opportunity compliance.

Management training programs for first-line supervisors were conducted at 20 major profit centers, and personnel surveys were carried out at eight locations.

SAFETY — The Company's safety performance improved substantially over that of a year earlier. Disabling work injuries in domestic plants were reduced by 16% and vehicle accidents by 14%, compared with a year earlier. The improvement shown by the International Division was even greater. Each Division's safety performance was well above the average for its respective industry, as reported by the National Safety Council. Responsible for the improvement were the greater emphasis given to the human behavioral aspects of accident prevention, and the deeper involvement of managers and supervisors in the safety training program.

The Borden President's Safety Award was presented during the year to 14 plants for excellence in plant safety performance and to five plants for excellence in fleet safety performance.

SOCIAL RESPONSIBILITY — Increased efforts to identify and respond to social needs brought some encouraging results.

Employment of racial minorities reached 18.5% of the domestic work force, more than equaling the percentage of minorities in the total population. To improve the ratio in higher-level job categories, the Company engaged minority executive search firms and participated in job fairs and college recruitment activities. The percentage of females among employees increased slightly. A pilot female assessment center was established at administrative headquarters; a number of participants have been promoted and others are being given college or technical-school training at corporate expense to improve their qualifications. Of the Company's technical employees, 20% are females.

The Company's minority affairs programs are coordinated through a Minority Affairs Council, reporting to the Office of the Chairman. The Council is composed of representatives from the three domestic Divisions and all corporate staff departments, and includes racial minorities and females.

Through the Council, purchases from minority vendors rose to $6.5 million, and direct participation in the loan activities of minority-owned banks in Illinois, New York, Virginia, and Washington, D.C., was increased, helping them to improve their

Borden Chairman and Chief Executive Officer Augustine R. Marusi (center), a charter member of the National Minority Purchasing Council, serves as chairman of its Corporate Promotion Committee, shown here at a meeting in Chicago. The Committee's role is to stimulate major companies to purchase goods and services from minority-owned suppliers.

CORPORATE ACTIVITIES

An evening program leading to a master's degree in business administration, the first in the Columbus, Ohio, area, was established at Capital University with organizational leadership and financial support from the Company. Eight Borden employees are among the first class of 100. Hari Notowidigdo (left), Assistant General Controller of Borden, discusses the program with Dr. Thomas Langevin (center), president of Capital University, and Dr. Glen Ferlemann, director of the Graduate School of Business Administration. Mr. Notowidigdo is an adjunct lecturer in business-applied mathematics for the program.

retained earnings and credit standings. Minority entrepreneurs, reached through the Council, were among the purchasers of idle properties, leading to the start-up of viable businesses. The Council is also reviewing investment proposals for new or expanded Borden facilities, prior to their submission to the Office of the Chairman, to evaluate social conditions in the communities under consideration.

During the year, a major contract was signed with a minority-owned advertising agency for the production of product commercials, and advertising was increased in minority-owned media.

Grants were increased by the Borden Foundation, Inc., to programs directed toward neighborhood health-care delivery and nutrition education, of which minority groups are the principal beneficiaries.

CHANGES IN OFFICERS — Eugene J. Sullivan was elected President of the Company and Walter R. Olmstead was elected Vice Chairman on Dec. 11. Mr. Sullivan succeeded Augustine R. Marusi, who continues as Chairman and Chief Executive Officer. The position of Vice Chairman had been vacant since 1967.

Mr. Sullivan and Mr. Olmstead, together with Mr. Marusi, comprise a newly formed Office of the Chairman, which has responsibility for both day-to-day operations and long-range planning.

Mr. Sullivan, 53 years old, has been with Borden since 1946. He was elected a corporate Vice President and appointed President of the Chemical Division in 1964, and elected a Director and an Executive Vice President of the Company in 1967.

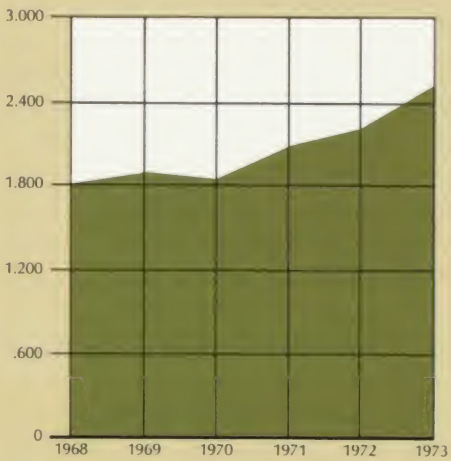
Mr. Olmstead, 58 years old, joined the Company in 1937, and was elected a corporate Vice President and appointed President of the Foods Division in 1964. He was elected a Director and an Executive Vice President of the Company in 1967.

In a resumption of the traditional Borden policy of having one officer in charge of each operating division, William L. Roper was appointed President of the Borden Foods Division, effective Jan. 1, 1974. Previously, responsibility for the Division's operations had been divided among three corporate vice presidents: Mr. Roper; Floyd F. Smiley, Jr., who is now Group Vice President of the Canning Group, and Theodore G. Montague, Jr., who resigned upon consolidation of the New Ventures Group within the Division. Clayton J. Rohrbach, Jr., resigned as Vice President-Marketing, and the responsibilities of the corporate marketing department were reassigned among operating divisions, primarily Borden Foods.

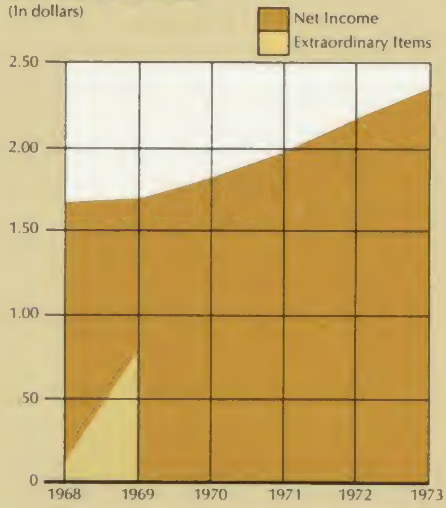
Carlton E. Spitzer resigned as Vice President-Public Affairs on Nov. 1, to become consultant to the Company on public affairs. He had been consultant for two years prior to joining Borden in May, 1970.

FINANCIAL REVIEW

SALES
(In billions)

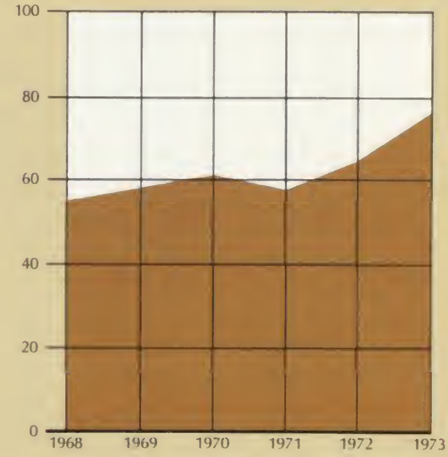


INCOME PER SHARE*
(In dollars)



*Primary

CAPITAL EXPENDITURES
(In millions)



SALES

Sales in 1973 were at an all-time high. The improvement from a year earlier in part reflected higher volume but primarily firmer prices for major chemicals and the passthrough of increased costs for raw agricultural products. All four divisions contributed to the gain.

Worldwide sales totaled $2,553,994,000 an increase of 13.6% from $2,249,024,000 in 1972, the previous high.

INCOME

Net income and primary earnings per share were the highest in the Company's history.

Net income was $72,962,000 up 8.1% from the former record of $67,477,000 set in 1972.

Primary earnings per share were $2.37 on an average of 30,810,000 common shares and equivalents outstanding during the year. This compares with the previous high of $2.18 reached a year earlier, when an average of 30,946,000 common shares and equivalents was outstanding.

Fully diluted to reflect primarily two outstanding convertible Eurodollar offerings, earnings per share were $2.28, compared with $2.13 in 1972.

Pre-tax income amounted to $135,561,820 up 8.5% from $124,918,857 a year earlier. Federal, foreign, and state and local income taxes totaled $62,600,000 compared with $57,441,504 in 1972. The investment tax credit was $3,400,000 against $3,000,000 in the previous year.

The principal factor responsible for the improvement in net income was the higher operating income contributed by the Chemical and International Divisions. Their operating income was less affected by erosion of margins and thus benefited from a substantial gain in sales as well as from purchase acquisitions.

CAPITAL EXPENDITURES

Outlays for capital projects in 1973 were increased almost 20% above original budget to provide the facilities and capacity needed to take care of expanding markets.

Approximately $76,488,000 was invested in new property and equipment. Of this amount, depreciation, depletion and amortization provided $46,099,000. In addition, leases were effected for $16,835,000 of equipment, primarily for motor vehicles and ice cream cabinets.

Capital expenditures for 1974 are budgeted at about $100,000,000, which would be the largest outlay for any one year in the Company's history and about two-thirds above average annual expenditures over the past five years.

DIVIDENDS

The Company completed 75 years of uninterrupted dividends, dating back to its incorporation in 1899, with the payment in December of the 255th consecutive dividend on Common Stock.

Cash dividends of $36,291,816 were paid on the Company's capital stock in 1973, compared with $36,093,981 in 1972. Dividends on Common Stock were $35,426,555 at $1.20 per share; on Preferred Stock-Series A, $283,650 at 60 cents per share, and on Preferred Stock-Series B, $581,611 at $1.32 per share.

On Dec. 15, one-third of the 472,750 outstanding Series A Preferred shares were converted to Common Stock on a one-for-one basis. The Series B Preferred is convertible at any time into Common Stock at the rate of 1.1 shares of Common for each share of Preferred.

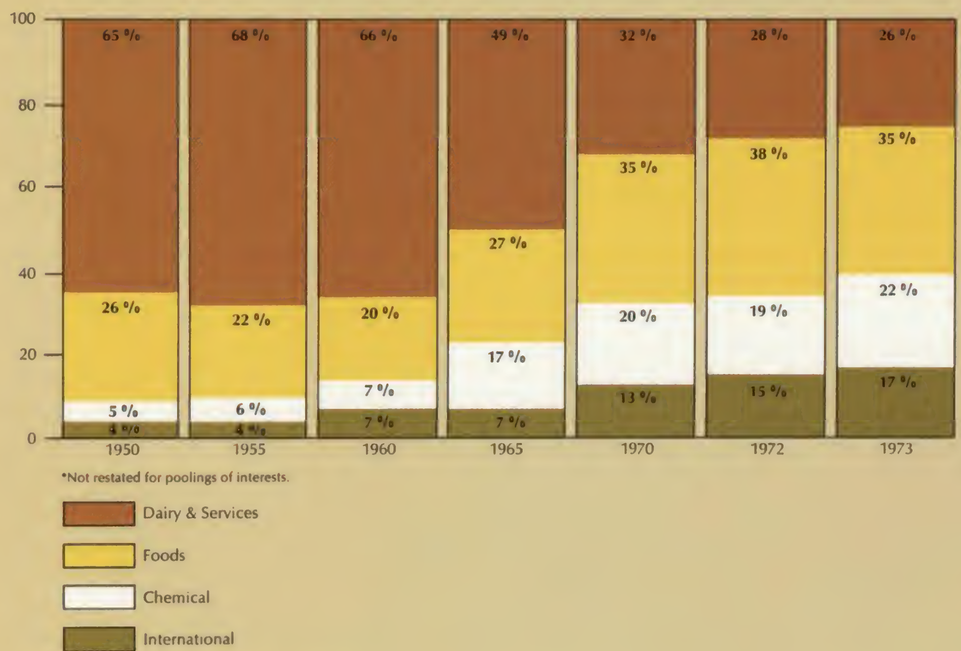
STOCK LISTING

Discussions are being held with the Japanese financial community for the purpose of listing Borden Common Stock on the Tokyo Stock Exchange. The Common Stock is currently listed on foreign exchanges in Zurich, Geneva, Basle, and Lausanne, Switzerland.

DEBENTURE OFFERING

The Board of Directors on Feb. 26, 1974 approved the filing of a registration statement with the Securities and Exchange Commission covering a proposed issue of $100,000,000 of 30-year sinking fund debentures. The proposed offering was prompted by anticipated 1974 capital expenditures of $100,000,000, increased from approximately $76,500,000 in 1973. The proceeds would be used for capital expenditures, working capital, and other general corporate needs. It would be the Company's first domestic debt offering since 1967.

PER CENT OF TOTAL SALES*



*Not restated for poolings of interests.

TRENDS BY BUSINESS AREA

All Divisions experienced increased sales in 1973, compared with 1972, but the relative contribution of each Division to total sales remained about the same for both years.

There was, however, a shift between 1972 and 1973 in the relative contribution to total operating income by the Foods Division and the Chemical Division. Although operating income of the Foods Division was the same in each year, its share of the total declined from 38% to 34%. The Chemical Division, with a gain of $12,000,000 in operating income, increased its share of the total from 27% to 31%.

The 1972 data have been restated to reflect the consolidation of certain overseas subsidiaries previously carried on the equity basis, and to reflect the 1973 transfer of retail store operations from the Foods Division to the Chemical Division. Companies acquired in transactions treated as purchases have been included from the effective dates of the transactions.

SALES AND INCOME BY BUSINESS AREA

(Dollars in Thousands)

	SALES				INCOME			
	1973		1972		1973		1972	
	$	%	$	%	$	%	$	%
Foods	895,584	35	809,815	36	58,082	34	58,076	38
Dairy and Services	674,297	26	607,228	27	26,502	16	25,317	17
Chemical	559,973	22	471,057	21	52,899	31	40,872	27
International (including exports)	424,140	17	360,924	16	31,526	19	27,812	18
Total	2,553,994	100	2,249,024	100	169,009	100	152,077	100
Other income and expenses not allocable to operations, and taxes					(96,047)		(84,600)	
Net income					72,962		67,477	

CONSOLIDATED STATEMENTS OF INCOME

BORDEN, INC.

Year Ended December 31	1973	1972
NET SALES	$2,553,993,519	$2,249,023,960
COSTS AND EXPENSES:		
Cost of goods sold	2,073,719,510	1,821,141,399
Marketing, distribution and administrative expenses	338,909,484	300,232,606
Other (income) and expense, net	(11,921,623)	(13,593,742)
Interest expense (includes interest expense on leases — $1,268,915 in 1973 and $1,964,449 in 1972)	17,724,328	16,324,840
Income taxes	62,600,000	57,441,504
	2,481,031,699	2,181,546,607
NET INCOME	$ 72,961,820	$ 67,477,353
Average number of common shares and equivalents outstanding during the year	30,810,296	30,945,652
NET INCOME PER SHARE		
Primary	$ 2.37	$ 2.18
Fully diluted	2.28	2.13
CASH DIVIDENDS PER COMMON SHARE	1.20	1.20

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

BORDEN, INC.

ASSETS

December 31	1973	1972
Current Assets		
Cash (including time deposits)	$ 80,324,182	$ 93,616,213
U.S. Government securities, other marketable securities and certificates of deposit (at cost which approximates market)	13,060,473	61,305,692
Accounts receivable (less allowance for doubtful accounts—$5,867,938 in 1973 and $5,538,527 in 1972)	291,408,587	245,701,914
Inventories		
Finished and in process goods	214,510,241	194,115,334
Raw materials and supplies	116,369,721	90,359,781
Total Current Assets	715,673,204	685,098,934
Investments and Other Assets		
Investments in and advances to affiliated companies (at cost plus equity in undistributed income)	26,734,258	25,920,563
Miscellaneous investments and receivables (at cost or less)	16,945,615	16,017,744
Deferred charges	17,902,632	18,015,638
	61,582,505	59,953,945
Property and Equipment (at cost)		
Land	41,810,087	41,138,395
Buildings	249,942,304	235,004,361
Machinery and equipment	615,451,856	560,129,186
	907,204,247	836,271,942
Less—Accumulated Depreciation	(388,198,253)	(353,975,647)
	519,005,994	482,296,295
Intangibles Resulting from Business Acquisitions		
(principally at cost at dates of acquisition)	152,146,671	131,656,370
	$1,448,408,374	$1,359,005,544

See accompanying Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY

December 31	1973	1972
Current Liabilities		
Current maturities of long-term debt (less debentures repurchased)	$ 18,535,081	$ 14,788,634
Accounts and drafts payable	222,843,201	186,897,603
Income taxes	30,933,242	17,414,329
Other liabilities	96,979,325	87,174,872
Total Current Liabilities	369,290,849	306,275,438
Long-Term Debt	235,297,323	250,364,576
Deferred Income Taxes	51,158,072	46,652,995
Foreign Operations and Other Reserves	15,613,776	13,134,113
Minority Interests in Consolidated Subsidiaries	12,231,793	11,195,227

SHAREHOLDERS' EQUITY

	1973	1972
Capital Stock		
Preferred stock — no par value		
Authorized 10,000,000 shares		
Issued Series A Convertible — 315,167 shares and 472,750 shares respectively (involuntary liquidating value of $6,303,340 or $20.00 per share at December 31, 1973)	1,181,876	1,772,812
Issued Series B Convertible — 388,573 shares and 592,470 shares respectively (involuntary liquidating value of $11,221,988 or $28.88 per share at December 31, 1973)	1,602,863	2,443,939
Common stock — $3.75 par value		
Authorized 60,000,000 shares		
Issued 30,111,685 shares and 29,900,738 shares respectively	112,918,819	112,127,768
Paid-In Capital	185,472,962	189,792,896
Retained Earnings	465,524,155	429,015,163
	766,700,675	735,152,578
Less Common Stock in Treasury (at cost) — 66,517 shares and 135,954 shares respectively	(1,884,114)	(3,769,383)
Total Shareholders' Equity	764,816,561	731,383,195
	$1,448,408,374	$1,359,005,544

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

BORDEN, INC.

FOR THE TWO YEARS ENDED DECEMBER 31, 1973

	CAPITAL STOCK ISSUED					
	PREFERRED SERIES A	PREFERRED SERIES B	COMMON	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK
Balance, December 31, 1971 as previously reported	$1,772,812	$2,828,513	$109,436,123	$190,490,586	$394,747,683	$2,573,314
Pooling of interests			2,309,573	(664,225)	3,092,254	
Balance, December 31, 1971 as restated	1,772,812	2,828,513	111,745,696	189,826,361	397,839,937	2,573,314
Net Income					67,477,353	
Cash Dividends —						
Common Stock					(34,953,386)	
Preferred Series A					(283,650)	
Preferred Series B					(856,945)	
Pooled Company					(208,146)	
Preferred Series B Stock redeemed		(2,502)		(21,464)		
Preferred Series B Stock converted		(382,072)	382,072			
Treasury Stock issued for exercised stock options				(12,001)		(48,493)
Stock reacquired for Treasury — 45,226 shares						1,244,562
Balance, December 31, 1972 as restated	1,772,812	2,443,939	112,127,768	189,792,896	429,015,163	3,769,383
Net Income					72,961,820	
Cash Dividends —						
Common Stock					(35,426,555)	
Preferred Series A					(283,650)	
Preferred Series B					(581,611)	
Pooled Company					(161,012)	
Preferred Series A Stock converted	(590,936)			(3,871,814)		(4,462,751)
Preferred Series B Stock converted		(841,076)	791,051	(327,537)		(377,545)
Treasury Stock issued for exercised stock options				(120,583)		(334,360)
Stock reacquired for Treasury — 113,300 shares						3,289,387
Balance, December 31, 1973	$1,181,876	$1,602,863	$112,918,819	$185,472,962	$465,524,155	$1,884,114

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

BORDEN, INC.

Year Ended December 31	1973	1972
FINANCIAL RESOURCES PROVIDED		
Operations:		
Net income	$ 72,961,820	$ 67,477,353
Depreciation, depletion and amortization	46,099,153	43,899,250
Deferred income taxes	4,505,077	3,452,442*
Total provided from operations	123,566,050	114,829,045
Facilities realignment and relocation programs		2,543,329
Normal property disposals	7,768,501	5,281,157*
Proceeds from debt financing	6,152,349	33,640,000
Total resources provided	137,486,900	156,293,531
FINANCIAL RESOURCES APPLIED		
Cash dividends — Common	35,426,555	34,953,386
Preferred	865,261	1,140,595
Pooled company	161,012	208,146
Reduction in long-term debt	21,219,602	22,951,590
Capital expenditures	76,488,287	64,533,485
Purchases of businesses, net of working capital acquired	27,285,931	5,092,418
Common stock reacquired for treasury	3,289,387	1,244,562
Other	5,192,006	7,933,877
Total resources applied	169,928,041	138,058,059
Increase (decrease) in working capital	$ (32,441,141)	$ 18,235,472*
Details of increase (decrease) in working capital:		
Cash and marketable securities	$ (61,537,250)	$ 9,730,970
Accounts receivable	45,706,673	33,280,282
Inventories	46,404,847	18,795,383
Current maturities of long-term debt	(3,746,447)	3,300,655
Accounts and drafts payable	(35,945,598)	(33,751,208)
Income taxes and other liabilities	(23,323,366)	(13,120,610)
Increase (decrease) in working capital	$ (32,441,141)	$ 18,235,472*

*Excludes changes attributable to the facilities realignment and relocation programs.

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles and are applied on a consistent basis between years.

Principles of Consolidation — The consolidated financial statements include the accounts of Borden, Inc. and all subsidiaries, after elimination of material intercompany accounts and transactions. Prior year financial statements have been restated to reflect the consolidation of certain foreign subsidiaries previously carried on the equity basis. The restatement had no effect on previously reported net income. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income currently. The carrying value of investments in 20% to 50% owned companies approximates the underlying net assets thereof.

The accounts of foreign subsidiaries are translated at year end rates of exchange for current assets and current liabilities, rates of exchange in effect at dates assets were acquired or liabilities incurred for properties and related depreciation and other non-current assets and liabilities, and average rates of exchange during the year for income accounts other than depreciation. Realized exchange adjustments are charged or credited to income; the net unrealized exchange adjustment arising from translation is charged or credited to the Reserve for Foreign Operations.

The excess cost of investments over net tangible assets of businesses acquired are carried as Intangibles in the Consolidated Balance Sheets. It is the Company's policy to carry intangibles arising prior to November 1, 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited. Intangibles arising after October 31, 1970 are being amortized over a 40 year period.

Inventories — Inventories are stated at the lower of cost or market. Cost is determined generally on the average and first-in, first-out method.

Property and Equipment — Land, buildings and equipment are carried at cost.

Depreciation is recorded on the straight-line basis by charges to costs and expenses at rates based on the estimated useful lives of the properties (average rates for buildings — 3%; machinery and equipment — 7%).

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Net profits or losses from normal retirements and disposals are credited or charged to accumulated depreciation, while profits and losses from other retirements and disposals are credited or charged to income.

The company leases certain plant and equipment under both operating leases and financing leases (leases covering 75% of economic life of related assets and which reasonably assure lessor recovery of his investment). Leases which are in substance installment purchases of the related assets have been capitalized, with the corresponding obligations carried in long-term debt. Payments on leases covering plant and equipment which the Company does not intend to purchase at the expiration of the lease are charged to expense as incurred, whether represented by an operating lease or a financing lease agreement.

Income Taxes — The provision for income taxes includes federal, foreign and state and local taxes currently payable and deferred taxes arising from timing differences between income for financial statement and income tax purposes. These timing differences principally result from (a) additional deductions available through the use of accelerated methods of depreciation for tax purposes, and (b) in 1972, realization of tax reductions associated with the facilities realignment program (which was recognized for financial reporting purposes in 1969).

The accumulated differences between taxes recognized for financial reporting purposes and those payable to date are shown as deferred income taxes in the Consolidated Balance Sheets.

Investment tax credits are applied as reductions in income taxes in the year realized.

United States income taxes have not been provided on undistributed earnings of foreign subsidiaries because the Company plans to reinvest such earnings abroad and has no present intention to repatriate any significant amount of such funds.

Retirement Plans — Charges to operations under the Company's retirement plans, which cover those employees who are not members of collective bargaining units as well as certain employees who are members of such units, include current service costs and amortization of prior service costs generally over a 30-year period. The Company's policy is to fund amounts equal to pension costs accrued.

Development and Promotion Expenses — Expenditures for research and development and advertising and promotion are expensed as incurred.

Earnings Per Share — Primary earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents (Series A and B Convertible Preferred Stocks and Stock Options) outstanding during the year of computation.

Fully diluted earnings per share computations are based on the

weighted average number of shares of Common Stock and Equivalents outstanding as if the outstanding Convertible Debentures had been converted into Common Stock at the beginning of the period or date of issue, whichever prevailed, and after giving effect to the elimination of interest expense applicable to the Convertible Debentures.

NOTE 2 — COMPANIES ACQUIRED

During 1973, the Company issued 615,886 shares of Common Stock for Alex Colman, Inc. in a transaction accounted for as a pooling of interests. The comparative financial statements for 1972 have accordingly been restated to reflect this combination, which did not significantly affect the financial position or results of operations for any year.

In addition, during 1973 the Company made several purchase acquisitions, the larger of which were an overseas manufacturer of pasta and a domestic manufacturer of cast vinyl, at an aggregate cost of $34,652,000. Results of operations of these companies have been included from the effective dates of the acquisitions. Pro forma sales and net income that would have been recorded had these companies been acquired as of January 1, 1972 is presented below as supplementary information.

	1973	1972
Net sales (in thousands)	$2,573,825	$2,282,123
Net income (in thousands)	$ 73,804	$ 68,550
Earnings per share		
Primary	$ 2.40	$ 2.22
Fully diluted	$ 2.31	$ 2.16

NOTE 3 — FOREIGN OPERATIONS

After translation into equivalent United States dollars, subsidiaries outside the United States contributed the following amounts to the consolidated financial statements (dollars in thousands):

	1973	1972
Net sales	$366,739	$319,779
Company's equity in:		
Net income	14,181	12,916
Net assets	98,368	88,295

The cumulative amount of foreign earnings on which United States income taxes have not been provided aggregated approximately $24,000,000 at December 31, 1973. The Company does not intend to repatriate any significant amount of accumulated foreign earnings.

Non-current receivables collectible in foreign currencies are not significant. Long-term debt would increase by $3,747,662 and $1,428,755 at December 31, 1973 and 1972, respectively, if translated at the then current rates of exchange.

In 1973, the translation of foreign currency accounts to United States dollars resulted in a net credit to the Reserve for Foreign Operations of $1,063,167 compared to a net debit of $737,846 in 1972. The cumulative amount of deferred exchange gains approximated $750,000 at December 31, 1973. Realized and unrealized exchange adjustments charged or credited to income were minimal in both years.

NOTE 4 — LONG-TERM DEBT, LEASE OBLIGATIONS AND RELATED COMMITMENTS

Long-term debt outstanding at December 31, 1973 and 1972 is as follows (dollars in thousands):

	1973		1972	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
Sinking Fund Debentures				
2⅞%, due 1981	$ 32,500		$ 33,750	
7¾%, due 1984	1,075	$ 75	1,150	$ 75
4⅜%, due 1991	34,000	2,000	36,000	2,000
5¾%, due 1997	75,000		75,000	
Debentures repurchased	(7,598)	(2,000)	(7,002)	(2,000)
Promissory notes				
5¼%, due 1974		4,900	4,900	600
5⅜%, due 1981	5,300	800	6,100	800
8¼%, due 1985	6,933		6,933	
7⅝%, due 1986	4,888		4,888	
Other borrowings	16,348	3,172	12,207	2,115
Convertible Debentures				
6¾%, due 1991	30,000		30,000	
5%, due 1992	30,000		30,000	
Principal amount of capitalized leases	6,851	9,588	16,439	11,199
	$235,297	$18,535	$250,365	$14,789

The 6¾% Convertible Debentures (a Eurodollar obligation) are convertible into Common Shares of Borden, Inc. at $28.75 a share and after July 15, 1974 are redeemable at the Company's option except in certain defined circumstances. The redemption price will be equal to the original amount plus annually decreasing premiums to 1986.

The 5% Convertible Debentures (a Eurodollar obligation) issued in 1972 are convertible into Common Shares of Borden, Inc. at $31.50 a share and after September 1, 1975 are redeemable at the Company's option except in certain defined circumstances. The redemption price will be equal to the original amount plus annually decreasing premiums to 1987.

Aggregate maturities of long-term debt, principal payments on capitalized leases and minimum annual rentals on other leased properties are as follows (dollars in thousands):

	Long-Term Debt**	Capitalized Leases	Minimum Rentals Operating Leases	Minimum Rentals Financing Leases
1974	$ 8,947	$9,588	$ 9,932	$13,943
1975	4,162	4,803	9,696	12,177
1976	5,846	2,048	8,293	10,242
1977	4,400		7,337	8,260
1978	7,743		6,246	6,771
1979-1983*	67,584		23,677	12,540
1984-1988*	36,725		5,353	942
1989-1993*	86,158		1,105	
1994 and beyond*	15,828		672	

* Figures represent combined totals for all years.
** Net of Debentures repurchased.

The present value of non-capitalized financing leases, at a weighted average interest rate of approximately 6.6%, aggregated $53,585,143 and $48,642,900 at December 31, 1973 and 1972, respectively. These leases primarily cover transportation equipment ($30,126,671) and retail and office space ($23,458,472). Net income would be impacted by less than 1% for 1973 and 1972, respectively, if these leases were capitalized rather than being accounted for as leases.

The Company has unused lines of credit for short-term financing needs, aggregating approximately $140,000,000 at December 31, 1973, with interest rates approximating the prime rate in effect at date of use.

The Company was guarantor of loans aggregating approximately $21,000,000 at December 31, 1973.

Pursuant to the arrangements covering the above lease agreements, lines of credit and certain loan guarantees, the Company has agreed to maintain minimum average cash balances with various commercial banks aggregating approximately $17,000,000. The Company attributes no cost to such arrangements as these amounts do not exceed balances which would be required for normal operating needs.

NOTE 5 — INCOME TAXES

A comparative summary of federal, foreign and state and local income taxes follows:

	1973	1972
Taxes currently payable		
United States	$45,978,270	$39,193,961
Investment tax credit	(3,400,000)	(3,000,000)
Foreign	8,016,653	6,098,301
State and local	7,500,000	5,873,418
	58,094,923	48,165,680
Deferred		
United States	3,244,378	6,294,696
Foreign	1,260,699	2,981,128
	4,505,077	9,275,824
	$62,600,000	$57,441,504

The deferred provision represents the tax effects of the following book/tax timing differences:

	1973	1972
Excess of tax over book depreciation	$4,312,123	$2,885,460
Deductions arising from the Facilities Realignment Program		5,823,382
Other	192,954	566,982
	$4,505,077	$9,275,824

Total tax expense represents effective tax rates of 46.2% and 46.0% for 1973 and 1972, respectively, compared to the United States statutory tax rate of 48%. The lower effective tax rates are attributable to the investment tax credit plus other offsetting items such as the differences between foreign and United States rates, federal tax benefit of state and local taxes, and statutory rate differences on capital gains and qualified export operations.

NOTE 6 — RETIREMENT PLANS

The charges to operations under the Company's retirement plans were $6,830,000 in 1973 and $4,644,000 in 1972. The actuarially computed value of vested benefits under these plans as of January 1, 1973 exceeded the total pension funds and balance sheet accruals by approximately $22,660,000. Operations were charged approximately $4,193,000 in 1973 and $3,832,000 in 1972 for payments to pension trusts on behalf of certain employees covered by collective bargaining units who have not elected to participate in the Company's plans and of retirement allowances paid to former employees under arrangements in effect prior to the inception of the present plan.

During 1972 the Company increased benefits under its retirement plans and changed the actuarial assumption regarding assumed earnings of the plans. These changes did not have any significant effect on 1972 pension costs. 1973 pension costs include a full year of the increased benefits.

NOTE 7 — SHAREHOLDERS' EQUITY

The 315,167 shares of Preferred Stock — Series A, are entitled to receive annually until January 22, 1976, cumulative dividends per share of one-half the per-share Common Stock Dividend or $.60, whichever is

greater. Thereafter the dividend will be determined by the Board of Directors, but in no event will be less than $.60 per share.

The Preferred Stock — Series A is convertible into an equal number of Common Shares as follows:

Period of Convertibility	Shares
Dec. 23, 1974 - Jan. 22, 1975	157,583
Dec. 23, 1975 - Jan. 22, 1976	157,584

Shares not converted into Common Stock during the above periods may be called after January 22, 1976 and an equal number of Common shares issued therefor.

The 388,573 shares of Preferred Stock — Series B bear an annual cumulative dividend of $1.32, are convertible into 1.1 shares of Common Stock of the Company and are redeemable, currently at $44 per share.

As of January 1, 1973, 242,735 shares of Common Stock of the Company were reserved for unexercised stock options at prices ranging from $6.37 to $36.82 per share. During 1973, options for 152,367 shares were granted at prices ranging from $21.54 to $25.50 per share and options for 64,818 shares expired or were cancelled. Options for 11,715 shares were exercised, at prices ranging from $6.37 to $26.50 per share, leaving 318,569 shares reserved for unexercised options at prices ranging from $6.37 to $34.32 per share as of December 31, 1973. At December 31, 1973, 68,059 shares were available for future grants.

At December 31, 1973, 742,597 shares were reserved for conversion of Preferred Stock — Series A and B. In addition, 1,995,859 shares were reserved for issuance upon conversion of the 6¾% and 5% Convertible Debentures discussed in Note 4 and 23,921 shares pursuant to the Management Incentive Plan.

NOTE 8 — EARNINGS PER SHARE

The average number of Common Shares and Equivalents entering into the calculation of primary and fully diluted earnings per share are as follows:

	1973	1972
Common shares	29,856,533	29,744,492
Convertible Preferred:		
Series A	459,618	472,750
Series B	466,986	708,660
Stock options and incentive compensation	27,159	19,750
Total for primary calculation	30,810,296	30,945,652
Convertible Debentures:		
6¾ %	1,043,479	1,043,479
5 %	952,380	299,245
Total for fully diluted calculation	32,806,155	32,288,376

NOTE 9 — SUPPLEMENTAL PROFIT AND LOSS INFORMATION

Set forth below is a comparative summary of certain income and expense items, the accounting for which is described in Note 1.

	1973	1972
Equity in undistributed earnings of 20% to 50% owned companies	$ 1,433,000	$ 1,905,000
Minority interests in income of consolidated subsidiaries	1,024,000	1,590,000
Depreciation, depletion and amortization	46,099,000	43,899,000
Maintenance and repairs	56,372,000	52,774,000
Amortization of intangible assets	805,000	458,000
Advertising and promotion	66,388,000	61,427,000
Research and development	9,912,000	9,300,000
Taxes other than income taxes	44,417,000	42,246,000
Rents —		
Operating leases	14,568,000	14,350,000
Non-capitalized financing leases	14,889,000	14,640,000
Royalties	4,964,000	5,285,000

Price Waterhouse & Co.

SIXTY BROAD STREET, NEW YORK, NEW YORK 10004 212/422-6000

February 26, 1974

Board of Directors and Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and changes in financial position present fairly the financial position of Borden, Inc. and its subsidiaries at December 31, 1973 and 1972, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

SIX-YEAR FINANCIAL SUMMARY

BORDEN, INC.

SUMMARY OF EARNINGS

Net Sales ....

Cost of Goods Sold ....

Interest Expense ....

Income Taxes ....

Income before Extraordinary Items ....

Net Income ....

Per share of Common Stock and Equivalents —
Income before Extraordinary Items
Primary ....

Fully diluted ....

Net Income
Primary ....

Fully diluted ....

Dividends per—Common Share ....

Preferred Series A Share ....

Preferred Series B Share ....

Average number of Common Shares and Equivalents Outstanding during the year for calculation of — Primary earnings per share ....

Fully diluted earnings per share ....

Per Cent of Income before Extraordinary Items to Sales ....

Per Cent of Net Income to Sales ....

FINANCIAL STATISTICS

Capital Expenditures ....

Depreciation, Depletion and Amortization ....

Current Assets ....

Current Liabilities ....

Working Capital ....

Current Ratio ....

Long-term Debt ....

Debt-to-Equity Percent ....

Shareholders' Equity ....

Liquidating Value of Preferred Stock ....

Common Shareholders' Equity ....

Equity per Common Share at Year End ....

SHAREHOLDERS' DATA

Average Number of Common Shares and Equivalents Outstanding ....

Outstanding Shares at Year End —
Common ....

Preferred Series A ....

Preferred Series B ....

Market Price of Common Stock —
At Year End ....

Range of Year ....

Number of Common Shareholders ....

EMPLOYEES' DATA

Payrolls ....

Average Number of Employees ....

(All dollar and share figures in thousands — except market price and per share statistics)

1973	1972	1971	1970	1969	1968
$2,553,994	$2,249,024	$2,103,788	$1,858,527	$1,918,189	$1,850,322
$2,073,720	$1,821,141	$1,710,700	$1,499,300	$1,563,358	$1,508,799
$ 17,724	$ 16,325	$ 16,204	$ 14,139	$ 15,520	$ 13,641
$ 62,600	$ 57,442	$ 52,418	$ 48,405	$ 51,658	$ 49,561
$ 72,962	$ 67,477	$ 61,648	$ 54,411	$ 51,259	$ 49,821
$ 72,962	$ 67,477	$ 61,648	$ 54,411	$ 28,809	$ 47,049
$2.37	$2.18	$1.99	$1.82	$1.71	$1.66
$2.28	$2.13	$1.98	$1.82	$1.71	$1.66
$2.37	$2.18	$1.99	$1.82	$ .96	$1.57
$2.28	$2.13	$1.98	$1.82	$ .96	$1.57
$1.20	$1.20	$1.20	$1.20	$1.20	$1.20
$ .60	$ .60	$ .60			
$1.32	$1.32	$ .78			
30,810	30,946	30,920	29,968	29,943	29,945
32,806	32,288	31,401	29,968	29,943	29,945
2.9%	3.0%	2.9%	2.9%	2.7%	2.7%
2.9%	3.0%	2.9%	2.9%	1.5%	2.5%
$ 76,488	$ 64,533	$ 58,024	$ 60,431	$ 57,770	$ 55,527
$ 46,099	$ 43,899	$ 42,965	$ 39,101	$ 40,321	$ 37,217
$ 715,673	$ 685,099	$ 623,292	$ 583,439	$ 551,205	$ 514,491
$ 369,291	$ 306,276	$ 256,160	$ 252,971	$ 213,317	$ 176,261
$ 346,382	$ 378,823	$ 367,132	$ 330,468	$ 337,888	$ 338,230
1.9:1	2.2:1	2.4:1	2.3:1	2.6:1	2.9:1
$ 235,297	$ 250,365	$ 239,676	$ 219,136	$ 225,594	$ 240,119
31%	34%	34%	33%	36%	37%
$ 764,817	$ 731,383	$ 701,440	$ 657,257	$ 633,418	$ 640,398
(17,525)	(26,566)	(29,258)	(9,455)	(9,455)	(9,455)
$ 747,292	$ 704,817	$ 672,182	$ 647,802	$ 623,963	$ 630,943
$24.87	$23.68	$22.63	$21.84	$21.21	$21.41
30,810	30,946	30,920	29,968	29,943	29,945
30,045	29,765	29,707	29,665	29,425	29,467
315	473	473	473	473	473
388	592	686			
$21	$32	$28	$27	$23	$34
$19-32	$25-32	$24-30	$17-27	$22-35	$28-38
67,552	67,333	70,916	71,886	70,997	71,424
$ 374,600	$ 369,400	$ 357,000	$ 333,700	$ 339,800	$ 322,800
46,500	46,900	48,000	45,900	48,300	48,900

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ANNUAL REPORT